

IN THE MATTER OF:

Charles Sparks, et al.
vs.
AT&T Corporation, et al.

Cause No. 96-LM-983

Discovery Deposition of Pamela Cameron, Ph.D.
11/6/01

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Full GLOSSARY included with this DepoScript

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[1] IN THE CIRCUIT COURT
[2] THIRD JUDICIAL CIRCUIT OF ILLINOIS
[3] MADISON COUNTY
[4]
[5] Charles Sparks And Margaret Little, Individually
[6] And On Behalf Of All Others Similarly Situated,
[7] Plaintiffs,
[8]
[9] vs. No. 96-LM-983
[10]
[11] AT&T CORPORATION,
[12] Defendant,
[13]
[14] AND
[15]
[16] Charles Sparks And Margaret Little, Individually
[17] And On Behalf Of All Others Similarly Situated,
[18] Plaintiffs,
[19]
[20] vs. No. 01-L-1668
[21]
[22] LUCENT TECHNOLOGIES, INC.,
[23] Defendant.
[24]
[25] Discovery dep of Pamela Cameron taken on 11/6/2001

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[1] IT IS STIPULATED AND AGREED by and
[2] between counsel for Plaintiffs and counsel for
[3] Defendants that the deposition of PAMELA CAMERON,
[4] Ph.D., may be taken for discovery purposes,
[5] pursuant to and in accordance with the provisions
[6] of the Illinois Civil Practice Act and Supreme
[7] Court Rules pertaining to such depositions, by and
[8] on behalf of the Defendants, on November 6, 2001,
[9] at Carr, Korein, Tillery, Kunin, Montroy, Cates,
[10] Katz & Glass, 701 Market Street, Suite 300, St.
[11] Louis, Missouri, before Pamela Watson Harrison,
[12] RPR, CRR, CSR (IL) #084-003684, CSR & CCR (MO), and
[13] Notary Public; that the issuance of notice is
[14] waived and that this deposition may be taken with
[15] the same force and effect as if all statutory
[16] requirements had been complied with.
[17] IT IS FURTHER STIPULATED AND AGREED
[18] that any and all objections to all or any part of
[19] this deposition are hereby reserved and may be
[20] raised on the trial of this cause, and that the
[21] signature of the deponent is reserved.
[22]
[23]
[24]
[25]

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[25]

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[1] Q: How do you determine its date?
[2] A: If you look on the very, very last page.
[3] Q: Okay.
[4] A: And I also went back to -- If you look on
[5] page 6, I was just going back to see what was the
[6] last testimony that was recorded here, and it
[7] says -- and it shows an Oregon testimony filed in
[8] April and May of 2001.
[9] Q: Maybe you've already done it, but would you
[10] look that over to the extent you need to, to be
[11] able to just confirm for me that this is an
[12] accurate listing or description of your CV.
[13] A: Yes, it is. There has been a couple of
[14] testimonies since then, but that's the only thing.
[15] This will be -- I mean, I testify all the time, so
[16] it would be continuously updated.
[17] Q: Page 3 on the copy I have is blank.
[18] A: Page 3 is -- I noticed that, too. I think
[19] that has to do with some word processing thing.
[20] There does not appear to be anything missing here.
[21] Q: Okay.
[22] A: I don't know why it printed that way,
[23] but -- but there does not appear to be anything
[24] missing here.
[25] Q: Okay.

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[1] PAMELA CAMERON, Ph.D.,
[2] of lawful age, having been first duly sworn to
[3] testify the truth, the whole truth, and nothing but
[4] the truth in the case aforesaid, deposes and says
[5] in reply to oral interrogatories propounded as
[6] follows, to-wit:
[7] EXAMINATION
[8] QUESTIONS BY MR. BURKE:
[9] Q: Dr. Cameron, would you state your name and
[10] address for the record, please.
[11] A: My name is Pamela Cameron, C-A-M-E-R-O-N.
[12] My business address is 12510 Prosperity Drive,
[13] Silver Spring, Maryland, 20904.
[14] Q: And can you give us your Social Security
[15] number?
[16] A: My Social Security number?
[17] Q: Uh-huh.
[18] A: Yes, sir, I think. 463-94-9734.
[19] Q: Thank you. Let me hand you what's been
[20] marked as Exhibit 1 to your deposition and ask you
[21] if you recognize that.
[22] A: Yes, sir. I recognize this as a copy dated
[23] May, of my resume or CV.
[24] Q: Dated May. How do you -- This year?
[25] A: Yes. May of 2001. I'm sorry.

[1] A: It seems to be a difference in the word
[2] processing programs when it was printed out.
[3] Q: You said there had been a couple of
[4] testimonies since May of 2001; is that correct?
[5] A: Yes.
[6] Q: Okay. Could you describe those just
[7] generally or identify those?
[8] A: Yes. There was a proceeding in New Mexico
[9] involving universal service issues. It was case
[10] No. 3223. That was about a month ago, and then
[11] less than two weeks ago, I just concluded
[12] proceedings in another case. It was a phase of
[13] case 3495. That was about two weeks ago.
[14] Q: And what agency was that before?
[15] A: The Public Service Commission -- Public
[16] Regulation Commission. I'm sorry. They changed
[17] their names. They used to be the Public Service
[18] Commission. Now they're called the Public
[19] Regulation Commission.
[20] Q: Were both of those in the state of New
[21] Mexico?
[22] A: Yes, sir. I'm sorry. Both were in the
[23] state of New Mexico.
[24] Q: And what generally is the issue relating to
[25] universal service that you testified about?

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[1] A: That has to do with the way in which the
[2] state of New Mexico is going to fund -- provide a
[3] fund for -- let me see if I can explain it in as
[4] few words as possible -- is going to fund their
[5] universal services. Universal services has been
[6] defined as basic services for small, rural
[7] companies, rural companies being the non --
[8] Nonrural companies would be a large company like in
[9] this -- like, Southwestern Bell would be a nonrural
[10] company. A small company would be a small company
[11] like 50,000 lines or less.
[12] And the issue was really how you were going
[13] to set up that fund. They had a fund, and they
[14] were reviewing it. And the question was what
[15] changes or modifications they wanted to make to
[16] that fund, that funding process.
[17] Q: All right. And what was the particular
[18] issue that you gave testimony about?
[19] A: The issue was whether or not the -- they
[20] needed to continue with a -- They had allocated a
[21] certain number of dollars to the small companies,
[22] and the issue was whether or not they needed to
[23] continue with those dollars. And I testified that
[24] we did not need to continue with those dollars,
[25] because the federal funding was going to cover

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[1] those dollars.
[2] Q: Okay. Are there any of the publications
[3] listed in your CV that you would consider as being
[4] particularly pertinent to your analysis in this
[5] case?
[6] A: No, sir. These are all energy, gas or
[7] electric. I would not consider any of these
[8] pertinent to this case.
[9] Q: Okay. How about any of the testimony that
[10] you have listed here; is any of that pertinent to
[11] this case?
[12] A: Pertinent only in the sense that it forms a
[13] background in telecommunications. It gives me a
[14] background in not just telecommunications but cost
[15] allocation, costing and pricing in the telecom
[16] industry. You know, it gives me a basis of
[17] knowledge upon which to build, provides the
[18] foundation that I use in making the analyses that
[19] I've made.
[20] Q: Okay.
[21] A: But it's not directly related. None of
[22] this involves damages. None of this involves
[23] pricing of CPE or anything like that, if that's
[24] what you're asking.
[25] Q: Okay. Well, when you say pricing of CPE,

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[1] CPE stands for customer premises equipment; is that
[2] correct?
[3] A: Yes, sir.
[4] Q: Or, more colloquial terminology, telephone
[5] sets.
[6] A: Telephone sets, that's correct.
[7] Q: Does any of this testimony relate to
[8] determining reasonable lease rates?
[9] A: Again, it relates only in the sense that it
[10] provides a foundation for being able to analyze
[11] this kind of thing. You apply the same types of --
[12] Can I call them algorithms? We're not reinventing
[13] the wheel, if you will, but we are applying it to a
[14] different set of circumstances. None of these
[15] testimonies go to leasing of telephone sets, per
[16] se, but they go to analyzing appropriate rates,
[17] appropriate costs in general, of other things.
[18] Q: Okay.
[19] A: Have I answered your question?
[20] Q: I think so.
[21] A: Okay.
[22] Q: You say it goes -- some of the testimony
[23] goes to the question of appropriate rates. Can you
[24] give an example? A rate for what?
[25] A: For example, some of the earlier testimony

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[1] did natural gas rate design. Rate design is you
[2] would in a proceeding -- an electric or gas
[3] proceeding, you would do a cost of service, where
[4] you would determine how many dollars a gas or
[5] electric utility was entitled to, and then you
[6] would determine how those dollars should be
[7] allocated among the classes of service to the
[8] individual rate elements, those rate elements
[9] meaning the residential class, the industrial
[10] class, etc. So when I say rate elements, that's
[11] what I mean.
[12] Q: With respect to the work that you have done
[13] on this case, how was the work divided between you
[14] and Dr. Kahn?
[15] A: There was a great deal of collaboration
[16] between Dr. Kahn and myself out of necessity. I
[17] was cut off -- not cut off, I guess. I was in
[18] hearings in New Mexico at the time -- on
[19] September 11th, and I was unable to get back. So
[20] at the time a lot of the work had to be done, a lot
[21] of the earlier that had to be done on this.
[22] Dr. Kahn was in the office; and so by phone we were
[23] collaborating.
[24] But he performed a lot of the early work
[25] that was done. By that I mean he was the one that

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(1) was on the computer or dealing with the analysts
(2) who were on the computer that was doing a lot of
(3) it, and we were corresponding by phone. But we
(4) were in communication the whole time. And then, of
(5) course, he was gone the entire month of October,
(6) and then I picked up from there. But we worked
(7) together. We have always worked together. We
(8) collaborated on all sorts of projects.

(9) Q: Okay. After September 11, how long were
(10) you stuck in New Mexico?

(11) A: Gosh, I was stuck in New Mexico for
(12) probably -- I don't remember how many days, sir.
(13) It was several days before we were able to get a
(14) rental car, and finally was able to get a rental
(15) car and get to Texas where I had relatives. And I
(16) drove to the middle of the Odessa area where I had
(17) relatives, and I ended up staying there where I had
(18) access to a phone and, you know, less expense. And
(19) I stayed there for another week. So probably all
(20) total two weeks after September 11th, something
(21) like that, at least, before I could get a flight
(22) out.

(23) Q: Okay.

(24) A: It was -- They were flying -- They were --
(25) If you had a reservation -- They started flying

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(1) again about four or five days after September 11th,
(2) some airlines did, not all. If you had a
(3) reservation, you could go. But my reservation had
(4) been, like, on September the -- My reservation was
(5) gone. I had a reservation to go home, like, on
(6) September the 9th or something, so it was gone.
(7) So the first thing they did was take all
(8) those people who had been diverted -- that were up
(9) in the air and were diverted away. They got those
(10) people home. Then they flew all those people who
(11) already had reservations. Then they would start
(12) taking reservations, and so -- and I was in Odessa.
(13) So as soon as I could get back to Washington, I
(14) did, but it was probably about eight days after I
(15) got to Odessa before I could get back to
(16) Washington, D.C.

(17) Q: Okay. Were you only first retained to work
(18) on this case at some time right before
(19) September 11th?

(20) A: We were only retained to work on it in this
(21) capacity. I don't remember the exact date, no. We
(22) were retained as consultants, but not to fully --
(23) but not to produce a cost -- not to produce
(24) reasonable cost price estimates in this capacity
(25) until approximately -- I would have to go back and

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(1) look, but it was sometime probably right early
(2) September. It would have been pretty close to
(3) early September.

(4) Q: Okay. And who have you been retained by?

(5) A: This law firm.

(6) Q: Okay. Have you been retained by this law
(7) firm previously?

(8) A: No, sir.

(9) Q: Have you been retained by any of the
(10) lawyers in this law firm previously?

(11) A: No, sir.

(12) Q: Have you given the lawyers in this firm
(13) everything you relied on in this case in doing your
(14) analysis?

(15) A: Yes, sir, I have. Like I said, there were
(16) some things that Dr. Kahn had on his computer. I
(17) raided his office while he was gone in October. I
(18) did the best I could. When he got back, there were
(19) a couple of things that we found. Those were given
(20) to you today. But that was -- that was all that
(21) there was.

(22) Q: Okay. Well, later on, will you be able to
(23) testify at least to identify what those things are?

(24) A: Sure, oh, yeah, yeah.

(25) Q: Have you given any prior testimony in -- in

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(1) courtroom proceedings, either by in trial or in
(2) deposition? I'm just trying to make a distinction
(3) between, you know, public utility-type proceedings
(4) and judicial proceedings.

(5) A: No, sir, I haven't.

(6) Q: Neither trial testimony nor deposition
(7) testimony?

(8) A: No. Most of the trial work that I've been
(9) involved in has ended up settling before it went to
(10) trial.

(11) Q: Okay. And you were never deposed in any of
(12) those cases, were you?

(13) A: No, I was not.

(14) Q: What were you doing in the time frame 1982
(15) through 1985?

(16) A: '82 to '85. At the time I would have been
(17) working on my Ph.D. and working at C.H. Guernsey &
(18) Company. At least I would have gone to work for
(19) C.H. Guernsey & Company at that point in time.

(20) Q: Okay. What is C.H. Guernsey & Company?

(21) A: C.H. Guernsey & Company is an architectural
(22) and engineering consulting firm in Oklahoma City,
(23) and I would have also been at the University of
(24) Oklahoma at that point in time. I would have been
(25) teaching there as a teaching associate, which is --

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(1) it's a full-time faculty position, but it's a
(2) nontenured track, full-time faculty position.
(3) Q: Okay. During that general time frame, were
(4) you involved in any way in the FCC proceeding on
(5) telephone equipment?

(6) A: No, I was not.

(7) Q: Have you received documents? And I use
(8) that term broadly, both, you know, any kind of
(9) documentary material, whether it's paper or
(10) electronic form. But have you received those kinds
(11) of documents from the law firm in this case to use
(12) in doing your analysis?

(13) A: Are you asking me if I have looked at some
(14) of the discovery in this case?

(15) Q: Well, yes, but a broader question would be
(16) whether or not you've received any kind of
(17) documentary material from the lawyers in this case
(18) for your use in doing your work on this case.

(19) A: Yes, sir. I have received discovery
(20) materials, a fair amount of discovery. I'm trying
(21) to think if there's anything else besides the
(22) discovery. We received one initial, very bad copy
(23) of a Form M. We went and got our own Form Ms after
(24) that. I'm trying to think if there was anything --
(25) any other documents that we received from this

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(1) firm.

(2) Q: Okay. Well, the materials that you
(3) received from this firm, where are those located
(4) now?

(5) A: The materials that we received from this
(6) firm?

(7) Q: Yes.

(8) A: Would be located in our offices.

(9) Q: Okay. Have you used e-mail to communicate
(10) with either -- with -- internally within your
(11) company or with the lawyers in this firm in
(12) connection with the work you've done on this case?

(13) A: Yes, sir.

(14) Q: Okay. And where is the computer that you
(15) use for that e-mail?

(16) A: It's a server. We have a local -- a LAN, a
(17) local area network, server that, you know, we're on
(18) the local area network, and it services the office.
(19) It's located physically in our office.

(20) Q: Okay. Well, have you -- To your knowledge
(21) have any of the e-mails that relate to this case
(22) been deleted or destroyed at this time?

(23) A: The server holds them for a certain period
(24) of time, and then they're -- You know, it just
(25) keeps them for a certain amount of time. Have they

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(1) been deleted or destroyed? The server will wipe
(2) them out. It only keeps them in the stack for a
(3) certain amount of time.

(4) Q: Okay. Well, going forward from today,
(5) please don't have any of those deleted or destroyed
(6) out of the ordinary course, all right?

(7) A: (Witness moved head up and down.)

(8) Q: You have to answer yes or no.

(9) A: Yes, okay.

(10) Q: Why don't you tell me a little bit about
(11) the organization of -- Well, why don't you tell me
(12) about your organization. You work for Exeter
(13) Associates, Inc.; is that correct?

(14) A: Yes, sir.

(15) Q: What's your position with Exeter?

(16) A: I am a vice president, a board member, a
(17) principal. We're not big on titles. It's a small
(18) consulting firm. It's a partnership. Do economic
(19) consulting. We do various kinds of economic
(20) consulting, but it's almost all electric, gas, or
(21) telephone related.

(22) A large part of it is before public
(23) regulation or public utility commissions, but --
(24) and that's probably 40 to 50 percent of it. Then
(25) there's another probably 30 or 40 percent of it

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(1) that is special studies, this cost-benefit
(2) analyses. It might be damage assessments of
(3) various types. It might be special energy studies.
(4) We do a lot of work for the Department of Energy,
(5) the Department of Defense, that sort of thing. And
(6) then there's just, you know, miscellaneous other
(7) things that we do that come along that might fit
(8) into our expertise.

(9) Q: Okay. You said it's a small shop. How
(10) many --

(11) A: How many people?

(12) Q: Yeah.

(13) A: Altogether?

(14) Q: Yeah.

(15) A: We formally run around 20 people
(16) altogether, and that includes -- including
(17) administrative staff. There's about seven
(18) Ph.D.-type partners and about 20 people altogether.

(19) Q: Were there other people who worked on the
(20) analysis that you and Dr. Kahn have done in this
(21) case?

(22) A: Yes, sir. Analysts would have worked on
(23) this. We hire student -- Student, I'm sorry, I
(24) didn't mean to say that. We hire graduates, either
(25) be individuals who have a B.S. or a master's

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[1] degree, who would be the individuals who would
[2] probably do most of the running of the Excel
[3] spreadsheets. We refer to them as analysts.
[4] Q: Was there -- Can you identify the other
[5] people who worked on this -- on this case?
[6] A: Yes, sir.
[7] Q: Okay.
[8] A: One individual who would have worked on it
[9] would have been Emma Nicholson, E-M-M-A, Nicholson.
[10] Q: Okay. And is she an analyst?
[11] A: Yes, sir, she's an analyst.
[12] Q: Okay. Anyone else you can identify who
[13] worked on it?
[14] A: Michael Lee. He is also an analyst.
[15] Q: Okay. Anybody else?
[16] A: That's all, I believe.
[17] Q: Okay.
[18] A: Availability of resources determines who --
[19] you know, who might be available. I don't know how
[20] to run a spreadsheet. So who -- somebody has to
[21] help me, you know, with these things. So I go
[22] begging, and either Emma or Michael are most likely
[23] the people to help me.
[24] Q: Can you identify the particular work or
[25] describe the particular work that Emma Nicholson

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[1] did?
[2] A: Emma was -- would have been more involved
[3] in the earlier stages. Emma was the individual who
[4] went and gathered up the Form Ms I referred to
[5] earlier when I mentioned we -- we went and gathered
[6] some Form M data. She went for us to gather those
[7] documents and copy them and bring them back.
[8] Emma was also instrumental in helping us
[9] with the early stages with inputting the
[10] information when we were trying -- when I -- This
[11] was when I was in New Mexico when we were still
[12] trying to put in the -- input the data so we could
[13] get the database -- what I'm going to call a
[14] database built for the sets in service.
[15] Q: Okay.
[16] A: And then Emma was called off on another
[17] project, and Michael would have been more
[18] instrumental later on when we were doing more the
[19] last -- when we were running the damage model
[20] itself, the Excel spreadsheet that ran the damages,
[21] and applying the interest calculations to it.
[22] Q: Dr. Cameron, what did you do to prepare for
[23] this deposition today?
[24] A: Well, I reread Mr. De Lura's transcript. I
[25] came a little early yesterday, and I met with

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[1] counsel yesterday afternoon, late.
[2] Q: Okay. Any other documents that you
[3] reviewed?
[4] A: I would have -- I would have looked at a
[5] number of discovery documents. By that I mean they
[6] would have been the documents that I used initially
[7] in making the initial assumptions that we used in
[8] the -- in the -- in the spreadsheets.
[9] Q: Okay. What documents were those that you
[10] looked at?
[11] A: Those would be the documents -- Those would
[12] be the sources that would be identified at the end
[13] of each -- At the end of each of the sets of Excel
[14] spreadsheets that we sent you, there is a list of
[15] sources.
[16] Q: Okay.
[17] A: And you should have, like, some Bates
[18] stamped numbers and some things like that, and
[19] there should be a list of documents back there.
[20] That should be primarily what I looked at.
[21] Q: Okay. What did you talk about -- When you
[22] said you met with the lawyers last evening or late
[23] yesterday anyway, what did you talk about in that
[24] meeting?
[25] A: We talked about what you were likely to ask

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[1] us. We talked about whether I had a decent trip
[2] over here. We talked about -- I don't remember
[3] everything.
[4] Q: Okay. What do you remember them saying I
[5] was likely to ask you?
[6] A: Well, I remember them saying you were
[7] likely to go -- you were likely to be persistent.
[8] That was what I remember them saying.
[9] MR. MARKER: We were probably wrong about
[10] that.
[11] Q: What, you don't think I'm almost done now?
[12] Was there anything in particular that they told you
[13] you should be sure to clarify or make a point to
[14] testify about?
[15] A: To be sure and clarify, no, sir.
[16] Q: Okay.
[17] A: Not particularly that I recall offhand.
[18] Q: Okay. Did you have any conversations with
[19] any other consultants or experts prior to this --
[20] A: You mean --
[21] Q: -- deposition?
[22] A: -- other than Dr. Kahn?
[23] Q: Yes.
[24] A: No.
[25] Q: And the only deposition transcript you

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[1] reviewed was Mr. De Lura?
[2] A: Well, before I came -- You asked me before
[3] I came down here. No. Before that there was
[4] another lady whose name was Amy Noble, I believe.
[5] Q: Noble.
[6] A: But that was along -- not a long time ago.
[7] That was back in September something.
[8] Q: Okay.
[9] A: I believe your prior question was: What
[10] did you review in preparation for this deposition?
[11] Q: You're correct.
[12] A: Yeah.
[13] Q: That's what I intended by this question
[14] also. I'm sorry if I didn't make that clear.
[15] But -- So anyway, the only deposition transcript
[16] you reviewed in preparation for the deposition was
[17] Mr. De Lura?
[18] A: Right. Did I go back over Mr. De Lura's
[19] transcripts? Yes.
[20] Q: Dr. Cameron, did you or any family member
[21] you know of lease a telephone from AT&T after
[22] January 1, 1984?
[23] A: I did.
[24] Q: Okay. How long did you lease it from AT&T
[25] after January 1, 1984?

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[1] A: I leased it until 1980 -- See, I have to
[2] think when I moved to Washington, D.C. I leased it
[3] until I moved to Washington, D.C., when I was
[4] given -- I know it because I was given a phone when
[5] I moved to Washington, D.C. Prior to that time, my
[6] house had the kind of phones that were hard-wired
[7] into the wall.
[8] Q: Where were you living when you leased the
[9] phone?
[10] A: In Oklahoma.
[11] Q: From taking a look at your CV --
[12] A: Uh-huh. When did I go to work for N/E/R/A?
[13] In '86.
[14] Q: Do you recall when in '86?
[15] A: Uh-huh. It would have been in that summer.
[16] I moved here, like -- I went to work for N/E/R/A
[17] that summer, so it was probably July or August of
[18] '86.
[19] Q: Okay. Why didn't you stop leasing a phone
[20] while you were in Oklahoma?
[21] A: To be honest, I didn't know -- I have since
[22] thought of this only because of this case, but at
[23] that time I honestly didn't know I could. Like I
[24] said, my folks were hard-wired into the wall, and
[25] it would have been an expense. I didn't know I

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[1] could. I would have had to have a technician,
[2] somebody smarter than I about -- I would have had
[3] to have my plugs rewired. So it wasn't
[4] technologically -- It would have been a cost for me
[5] to do that.
[6] Q: Do you recall that you were aware in early
[7] 1984 that the sale of phones was deregulated?
[8] A: I was not aware of that.
[9] Q: Do you know of any family members who
[10] leased telephones from AT&T after January of '84?
[11] A: I don't know what my family members did.
[12] Q: Which -- Who is your telephone company when
[13] you lived in Oklahoma, which regional Bell
[14] operating company?
[15] A: Southwestern Bell.
[16] (Defendants' Exhibit Cameron 2
[17] marked for identification.)
[18] Q: Dr. Cameron, let me hand you what's been
[19] marked as Exhibit 2 to your deposition.
[20] A: Yes, sir.
[21] Q: Do you recognize that document?
[22] A: Yes, sir. I've seen it.
[23] Q: Okay. What do you recognize it to be?
[24] A: I recognize it as something that was -- I
[25] don't know exactly what it's called, but I

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[1] recognize it as something that was turned over to
[2] you as a description of -- of what our study does
[3] or represents.
[4] Q: Okay. Did you or anyone at Exeter
[5] Associates to your knowledge prepare this document?
[6] A: No.
[7] Q: Did you review the document at some point
[8] before it was sent to us?
[9] A: No.
[10] Q: Did you provide -- Let me back up. How do
[11] you refer to the law firm that's retained you here?
[12] I just want to use the right terminology.
[13] A: How about Carr Korein?
[14] Q: That's fine. I had somebody refer it to as
[15] the Tillery firm, so I wanted to know how you refer
[16] to it.
[17] A: Okay.
[18] MR. MARKER: Marker & Associates.
[19] Q: There you go. Can you tell me what my last
[20] question was? I'm lost.
[21] (The requested portion of the
[22] record read by the reporter.)
[23] Did you provide to the Carr Korein firm the
[24] information that's in this document?
[25] A: We would have provided a description that

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[1] was very closely related to the information in
[2] here, yes, sir.

[3] Q: In what format did you provide that
[4] information to Carr Korein?

[5] A: You know what? I'm not sure whether at
[6] some point in the history of things I may have sent
[7] Mr. Armstrong an e-mail or whether we just went
[8] over this on the phone. I'm not sure.

[9] Q: Okay.

[10] A: I think that -- I recognize some of this
[11] language, and some of this language I don't
[12] recognize.

[13] Q: Okay. While -- Let me represent to you
[14] that I think this would -- could properly be
[15] referred to as an interrogatory answer, the
[16] document that's Exhibit 2 to your deposition. Did
[17] you ever prepare a written report that moved from
[18] Exeter Associates to the Carr Korein firm that
[19] contained your analysis?

[20] A: As I said, I think at one point I prepared
[21] what I would not really characterize as a written
[22] report. I think I prepared at one point an e-mail
[23] to Mr. Armstrong that contained a summary, a quick
[24] summary, but we never prepared a written report.

[25] Q: Okay. Do you have anything prepared at

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[1] Exeter Associates that actually lays out the actual
[2] formulas that you used in preparing your analysis?

[3] A: No, sir. We were going just too fast and
[4] furious. We never sat down and stopped and
[5] prepared a report. We were doing -- We were just
[6] moving fast. We were trying to make that early
[7] October deadline that we never did.

[8] Q: Would it be correct to say that certain
[9] computer programs had to be written to do the
[10] analysis that you've done in -- for this case?

[11] A: Yes, sir. The Excel programs will
[12] obviously have algorithms embedded in them, if
[13] that's what you're asking me.

[14] Q: Well, when you say -- Would it be -- Could
[15] I describe those as actual computer programing
[16] steps that somebody had to define and program into
[17] the computer so it could do the analysis in this
[18] case?

[19] A: Somebody had to put it in there --

[20] Q: Okay.

[21] A: -- or it couldn't have done it.

[22] Q: Okay. Is there a listing of the computer
[23] program that you used in this case somewhere?

[24] A: A listing of -- I'm sorry. I don't know
[25] what you mean by a listing of the program.

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[1] Q: Okay. Is the -- Would a correct -- Would
[2] it be -- Would it be meaningful to say did somebody
[3] have to write some computer code?

[4] A: No. Nobody wrote any computer code.

[5] Q: Okay. Why don't you describe to me what
[6] they had to write.

[7] A: It may be easier for you to talk to
[8] Dr. Kahn about this, because like I told you, I'm
[9] not an Excel person. But the way the spreadsheet
[10] works is somebody has to put in -- To the extent
[11] that there's a formula in there, somebody has to --
[12] Within the spreadsheet itself -- And the pages you
[13] got, you know, up there in that little bar, that if
[14] you look at the -- if you look at it up there,
[15] there's a bar up there. And if you click on that
[16] little cell, there's actually a bar up there that
[17] has a formula in it. But nobody sits down and,
[18] like, writes code as such.

[19] Q: Okay.

[20] A: Like, nobody sat down and said, Here's,
[21] like, the formulas that's going to go into it.
[22] Basically we sat down, and we said, You know,
[23] here's what's got to happen; and here -- you know,
[24] here are the sets-in-service database, make it
[25] happen, and that spreadsheet you got is what does

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[1] it.

[2] Q: Okay. Is there a printout anywhere of the
[3] spreadsheet showing the formulas that are contained
[4] in the cells?

[5] A: I don't think the printout shows the
[6] formulas.

[7] Q: Okay. Do you know if it's possible to
[8] produce a printout that shows the formulas?

[9] A: I'm sure it is. I personally don't know
[10] how to do that, but I'm sure we can make it happen
[11] somehow.

[12] Q: Okay.

[13] A: And some of it should be, like I said,
[14] just -- If you look at the notes at the end of each
[15] one of those -- I don't know if the proper term is
[16] spreadsheet or set of spreadsheets. There's also a
[17] set of assumptions or notes at the end of each one
[18] of those that printed out with it. Those should
[19] also have some information that should tell you how
[20] these spreadsheets work. And I don't know if you
[21] call that a formula or not, but those are -- but
[22] they tell you what goes into the spreadsheets, if
[23] that helps you.

[24] Q: Well, we'll go -- Probably make more sense
[25] to hold off on some of that until we go through

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[1] some of these spreadsheets, and you can explain it
[2] to me then.
[3] A: Okay.
[4] Q: Okay. Looking at this interrogatory answer
[5] that's Exhibit 2, I'd like to refer you to the
[6] third paragraph there on what's marked as page 50.
[7] In the third paragraph, it makes references to
[8] things called, quote, new, dash, ins, I-N-S, closed
[9] quote.
[10] A: Uh-huh.
[11] Q: It also makes references to things called,
[12] quote, existing, dash, ins --
[13] A: Uh-huh.
[14] Q: -- closed quote. And, quote, UTEC,
[15] U-T-E-C, reinstates, closed quote. Can you tell --
[16] I'm taking them one at a time. Can you tell me.
[17] what each of those means?
[18] A: Right. New ins would refer to new customer
[19] coming into the market who wants to lease a phone.
[20] Q: And the --
[21] A: Never been there before. New meaning
[22] literally new.
[23] Q: Okay.
[24] A: Existing ins refer to people who want to
[25] upgrade, downgrade; in other words, change the type

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[1] of phone or add an existing phone to -- Let's say
[2] you already have a phone and you want to get
[3] another one installed.
[4] Q: Okay.
[5] A: And UTEC, U-T-E-C, UTEC reinstates, and to
[6] be honest, I forget what UTEC stands for. But
[7] Mr. De Lura describes it as ER -- it becomes ERC
[8] later in life. I'm drawing a blank right now, but
[9] it is the -- it was the predecessor to the
[10] economics recovery cost, and reinstate obviously
[11] means reinstate. It's what the -- It's when it
[12] becomes reinstated; somebody who wasn't paying
[13] their bills, and now they're being reinstated. And
[14] ERC is economic recovery cost.
[15] Q: What's your understanding of -- Could you
[16] explain what your understanding of that is? When
[17] you say somebody's not paying their bill and
[18] they're being reinstated, what does that mean in
[19] this context?
[20] A: In this context it means perhaps you were
[21] delinquent; your service -- I don't know exactly.
[22] And again, it's one of the reasons I tried to --
[23] didn't try. I did reread Mr. De Lura's transcript,
[24] trying to clarify some of this, and there's another
[25] document that defines all of these terms that's in

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[1] the discovery materials.
[2] But again, nobody seems to know absolutely
[3] for sure, but my understanding is that if you were,
[4] for example, delinquent -- Let's say you didn't pay
[5] your bill for 30 days. Your service may be
[6] delinquent or turned off for 30 days, but you were
[7] reinstated. But then you would be -- Your -- But
[8] if your service was reinstated -- I'm sorry. If
[9] you were delinquent for 30 days, your service could
[10] be turned off, reinstated. You would still be part
[11] of the embedded base.
[12] Q: What was your understanding of what would
[13] happen with the actual telephone set if somebody's
[14] service was cut off under the circumstances you
[15] just described?
[16] A: Well, if it was -- If they were -- If they
[17] paid their bill and their service was reinstated,
[18] then they just continued on as if it never
[19] happened.
[20] Q: So the telephone set was never removed --
[21] A: Never removed --
[22] Q: -- from the home?
[23] A: -- from the premises. You just continued
[24] on, yeah.
[25] Q: And, Dr. Cameron, did you say at some point

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[1] this became referred to as ERC?
[2] A: Uh-huh. UTEC I think eventually becomes
[3] ERC 679. If you looked at Mr. De Lura's
[4] transcript, I think he talks about that.
[5] Eventually it becomes the ERC, becomes what's known
[6] as ERC, economic recovery cost. But up until about
[7] 1991 or '92, it's referred to as UTEC. In the
[8] early documents that we had that we first pulled
[9] the sets-in-service data from, the early stuff,
[10] it's referred to as UTEC.
[11] Q: Okay. Do you have someplace a listing of
[12] the data you used in each of these categories?
[13] A: Yes, sir. If you look at the -- If you
[14] look at the documents that we gave you, you should
[15] see at the back of -- of the table it will list
[16] De Lura, and it should list about -- I don't
[17] know -- 10 or 12 De Lura exhibits; and those
[18] exhibits will give you the exhibits from which this
[19] data comes. When I say that, I say that because
[20] there are, like, 10 or 12 or 14 of them.
[21] Q: Paragraph 3 in part describes that the sets
[22] that are identified as new ins were not considered
[23] part of the class.
[24] A: Yes, sir.
[25] Q: And as I understand paragraph 3, it says

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(1) that existing ins and UTEC reinstates are allocated
(2) in some way so that part of them are considered
(3) being not in the class and part of them are
(4) considered to be in the class.

(5) A: That's correct.

(6) Q: Okay. Can you explain to me why any of
(7) them are considered to be outside the class?

(8) A: Okay. When we start off in 1/1/84, all of
(9) the sets in service are assumed to be in the class.
(10) They're all considered embedded base. So a hundred
(11) percent of everything is embedded base on 1/1/84.
(12) But as we go through time, people drop out. People
(13) come in and lease new phones that are not an
(14) embedded-base phone, so we got sets in service. We
(15) got people dropping out and people coming in who
(16) were not customers on 1/1/84, never been a customer
(17) prior to 1/1/84. So we've got to take that into
(18) account.

(19) Q: Why?

(20) A: Because my understanding is that this suit
(21) is limited to those customers who were -- I'm
(22) sorry. This damage is limited to those customers
(23) who were part of AT&T's lease. The customers on
(24) 1/1/84, they were part of the embedded-base class.

(25) Q: All right.

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(1) A: Not everybody who came on board just at any
(2) old time, you know, forever after.

(3) Q: Well, do you have an understanding as to
(4) why the people who came on board after 1/1/84 are
(5) not part of the class?

(6) A: I have a general understanding of the -- of
(7) what this case is about, but that's a legal
(8) question; and I mean, I don't understand all the
(9) legalities of it.

(10) Q: Okay. What is your understanding?

(11) A: My understanding is, like I said, I was
(12) hired to look at the -- to estimate the reasonable
(13) cost-based price for these sets, not to do an
(14) economic analysis of what could have or should have
(15) happened or what that leased market was or wasn't
(16) back at that time or is or was at any point in
(17) time. So, you know, like I said, that's a legal
(18) question.

(19) My understanding is that the legal
(20) definition of this case is that the sets in
(21) service, the embedded -- the embedded-base
(22) customers are the class that we are interested in
(23) here.

(24) Q: Okay.

(25) A: Okay.

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(1) Q: Well, I understand that you're not giving
(2) any kind of legal opinion here, but I am interested
(3) in what your understanding is as to why the
(4) customers who only first started leasing phones
(5) after 1/1/84 are not part of the class.

(6) A: Well, those were the customers that were
(7) part of the transition. Those were the customers
(8) that came across from the RBOCs. Those are the
(9) customers that -- that were part of the Computer
(10) Inquiry II. Computer Inquiry II is an FCC case.
(11) But I don't have a theory as to -- Other than that,
(12) I don't have an economic theory as to other than
(13) that.

(14) Q: To your understanding did the customers who
(15) first started leasing after 1/1/84 pay the same
(16) lease rates as customers who had been leasing ever
(17) since 1/1/84?

(18) A: As far as I know.

(19) Q: Did you do any sort of analysis or study to
(20) try to determine -- I'm sorry. Let me restate
(21) that.

(22) Did you do any kind of analysis or study to
(23) try to form an opinion as to whether or not
(24) customers who began leasing after 1/1/84 were
(25) making rational economic decisions to begin

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(1) leasing?

(2) A: No, I did not.

(3) Q: Do you have an opinion?

(4) A: No, I do not.

(5) Q: Did you do any kind of study or analysis to
(6) try to form an opinion as to whether or not
(7) customers who were leasing as of 1/1/84 made a
(8) rational economic decision to continue leasing
(9) after 1/1/84?

(10) A: No, I did not.

(11) Q: Do you have an opinion?

(12) A: No.

(13) Q: The last sentence of the third paragraph
(14) says, quote. For calculation purposes, Dr. Cameron
(15) and Dr. Kahn assumed that the probability of a set
(16) leaving is the same whether the set is in the class
(17) or not, closed quote.

(18) A: What that means is -- I'm sorry.

(19) Q: I was going to say would you explain --
(20) would you explain what that means?

(21) A: Yes, sir. I'm sorry. I didn't mean to
(22) speak over you.

(23) Q: That's fine.

(24) A: What that means is that -- Going back to
(25) where we were starting before, on 1/1/84 we assumed

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[1] that a hundred percent of the sets in service were
[2] in the class. As people dropped out of the class,
[3] the class size became less than 100 percent. As
[4] new entrants came in that were not part of the
[5] class, the class size became less than 100 percent.
[6] In other words, both of these things contributed to
[7] class size being less than 100 percent.
[8] So then the question became how do you --
[9] as you go through time, how do you deal with this?
[10] So for purposes of our ins and outs, at the
[11] beginning of each period, basically what we do is
[12] we assume that the -- what we're talking about
[13] before that the ins, the existing ins, you said how
[14] do you-all indicate this. And the outs are
[15] basically proportionate at the beginning of this
[16] period to the -- to the amount of -- to the
[17] proportion of the embedded base to the total sets
[18] in service at the end of the period for the prior
[19] period.
[20] Let me see if I can explain this just a
[21] little bit better. Once it's no longer a hundred
[22] percent -- Let's say we're down the road a couple
[23] of years, and now you're at 75 percent embedded
[24] base and 25 percent not embedded base, nonembedded
[25] base. Okay? So for purposes of -- What do we

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[1] assume about the outs and the existing ins? Well,
[2] we're going to make it proportionate at that
[3] 75 percent, 25 percent. We're going to always
[4] assume that it's proportionate to the amount of --
[5] to the size of your embedded base vis-a-vis your
[6] total sets in service.
[7] Q: Okay.
[8] A: Okay. So as your embedded base gets
[9] smaller and smaller, it's going to get smaller and
[10] smaller as a percent of your total sets in service.
[11] Q: Did you make that assumption about -- I
[12] mean, the statement here is that the probability of
[13] a set leaving is the same whether a set is in the
[14] class or not. Am I correct that, you know, as you
[15] just described it as embedded base and nonembedded
[16] base --
[17] A: That's what it means. 75/25 is what that
[18] means.
[19] Q: But the embedded base would be what the
[20] sentence refers to as the class; is that right?
[21] A: Yes. The embedded-base class.
[22] Q: And the nonembedded base would be the
[23] nonclass?
[24] A: The nonclass, yes.
[25] Q: Okay. But you assume that the probability

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[1] of a set leaving is the same whether it's part of
[2] the class or not part of the class. I'm wondering
[3] why you assumed it was -- the probability was the
[4] same.
[5] A: Well, we're -- The data tells us how many
[6] sets leave. All we're doing is making the
[7] assumption about whether when that set left, it was
[8] a member of the class or a nonmember of the class.
[9] We had to make an assumption. The data tells us
[10] how many sets leave in each month. But we didn't
[11] know whether when these sets leave -- If a hundred
[12] sets leave, we don't know whether one of them was
[13] an embedded class member or all 100 were embedded
[14] class members. So we have to make an assumption
[15] about how many.
[16] There are a couple ways you could do it.
[17] You could just assume they're always 50/50. You
[18] have to make a reasonable assumption. Reasonable
[19] assumption is proportionate to the embedded base as
[20] a percent of the total. So we assumed that the --
[21] When somebody -- The number of phones which is
[22] given to us in the data that's in the discovery,
[23] that's a number that's given to us. Those phones
[24] are leaving, and all we're doing is just making
[25] assumption about how many of them are embedded are

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[1] class members, as opposed to not our class members.
[2] Q: Did you do any sort of studies or analysis
[3] of actual consumer behavior to determine whether or
[4] not it was equally as probable that a set that was
[5] leaving service would be from the embedded base as
[6] opposed to the nonembedded base?
[7] A: No, we did not. We had no reason to
[8] believe that it wouldn't be proportionate, you
[9] know, to the members of each class.
[10] Q: Okay. Well, am I correct that what you
[11] just -- Let me sort of go through an example.
[12] Let's start with 1/1/84 and then look at 2/1/84.
[13] So during the month of January in '84, you'd start
[14] off -- Strike that.
[15] You'd start off on 1/1/84 with all phones
[16] being in the embedded base?
[17] A: Uh-huh.
[18] Q: Is that right? You have to answer yes or
[19] no for these purposes.
[20] A: Yes. I'm sorry.
[21] Q: So during the month of January of '84, you
[22] would have certain number of phones coming into the
[23] system; new people would start to lease; is that
[24] right?
[25] A: That's correct.

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[1] Q: Okay. And do you recall that there's data
[2] that shows that in fact new people did start to
[3] lease in January of '84?
[4] A: New people did start to lease, yes.
[5] Q: Okay. And so those new people would not be
[6] part of the embedded base; is that right?
[7] A: Those new people are not included in our
[8] embedded base calculation.
[9] Q: Okay.
[10] A: But if you want us to put them in, we can.
[11] It will make our damages bigger.
[12] Q: Just trying to work through this example.
[13] A: Okay.
[14] Q: So those new people would not be in the
[15] embedded base.
[16] A: Okay.
[17] Q: And then also during the month of January,
[18] certain people would leave, stop leasing; is that
[19] correct?
[20] A: That's correct.
[21] Q: Okay. So that at the end of January, you
[22] would have -- start with the sets that were in
[23] service at the beginning of January, and you would
[24] reduce it by the number of people who left during
[25] January?

[1] A: I'm sorry. January of '84. I misspoke.
[2] Q: How did you treat the people who came into
[3] the system in January?
[4] A: Now, if they were brand-new starting
[5] customers, never been a customer before, they were
[6] not included in our embedded base. However, they
[7] went into a total pot over here, if you will, a
[8] grand total. So that we could always been -- so we
[9] could -- Like I said, we based our existing ins and
[10] outs on the proportions, so we always know how many
[11] sets in service there are. But the new sets -- If
[12] they're brand-new sets, they're not included in the
[13] embedded base, but it is a number that we utilize
[14] to get the proportion so we know -- so we know what
[15] proportion to apply to the outs.
[16] Q: Okay. And so then -- Are those two numbers
[17] called sets-in-service class and sets-in-service
[18] total?
[19] A: If you look on the documents that we gave
[20] you, the sets in service, SIS, that applies -- that
[21] appears it should be the embedded class sets in
[22] service. I believe, if it's -- if it appears on the
[23] damage calculation itself. That should be the
[24] embedded-base sets in service.
[25] Q: Okay.

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[1] A: Uh-huh.
[2] Q: And --
[3] A: You'll reduce the embedded base by the
[4] number of people who left.
[5] Q: Right. And you would reduce it by the
[6] number of new phones that came in also to get the
[7] embedded base in the beginning of February 1?
[8] A: On February 1 the number of sets in
[9] service -- the embedded base that we used, the
[10] sets-in-service embedded-base number, would have
[11] been reduced by the number of phones that left, all
[12] of them, because on January 1 we would assume
[13] everybody left; because -- I'm sorry. On
[14] February 1 we would assume all of the January
[15] phones that left would have been embedded-base
[16] phones, because they were all -- you know, for
[17] purposes of the month of January 1 of '84,
[18] 100 percent of everybody who left were
[19] embedded-base phones. So 100 percent of everybody
[20] who left in the month of January were embedded-base
[21] phones.
[22] Q: Okay.
[23] A: So February 1 the number is smaller by
[24] everybody who left in January of 1.
[25] Q: Okay.

[1] A: Okay. But that's sort of a bottom line
[2] number, if you will. If you look on -- Then there
[3] should be another set of documents that has, like,
[4] some -- bunch of other weirder stuff in it that
[5] says SIS and existing, and it has more of the new
[6] ins and existing ins and some of those other titles
[7] on the top of it. Now, those numbers will
[8] correspond to what we're talking about here, the
[9] outs, the ins, the existing ins, and all of that.
[10] Q: Okay.
[11] A: And those we'll distinguish.
[12] Q: Okay.
[13] A: But those are two separate things. I'm not
[14] trying to confuse you here.
[15] Q: That may make more sense. We'll come back
[16] to that maybe when we're looking at the
[17] spreadsheets.
[18] A: Okay.
[19] Q: If you go to the next page, which is -- of
[20] Exhibit 2, which is marked page 51, in the first
[21] paragraph, the first sentence says, quote,
[22] Dr. Cameron and Dr. Kahn will testify that AT&T did
[23] not base its lease rate increases for the Big 6
[24] telephone sets after January 1, 1986, on the cost
[25] of providing the equipment and service plus a

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[1] reasonable profit, period, closed quote. Is that
[2] correct? I mean, did I read it correctly?
[3] A: Yes, sir, you read it correctly.
[4] Q: Okay. Is that an accurate statement of
[5] your opinion?
[6] A: This sentence, although it may be
[7] indelicately phrased, what it means is that AT&T's
[8] lease rates do not reflect a reasonable set of
[9] costs. Whether those costs are measured by the
[10] cost that we pulled out of their own discovery
[11] documents or -- Our scenarios take four approaches,
[12] and we tried to pull out very conservative means of
[13] looking at what would have measured a reasonable
[14] set of costs for the lease rates. And what this
[15] sentence indicates is that AT&T didn't price its
[16] leases at rates that were reasonable by those
[17] standards. It didn't do that.
[18] Q: Well, the way this sentence reads, it seems
[19] to say that you're giving an opinion as to how AT&T
[20] actually went about setting its lease rates.
[21] A: Well, AT&T did what AT&T did. What I
[22] attempted to do was look at what a market proxy
[23] would have yielded. And if you think of a market
[24] proxy for a competitive outcome or even a
[25] regulatory proxy for a competitive outcome as being

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[1] the reasonable outcome, then you could back into
[2] saying, well, the AT&T lease rate wasn't reasonable
[3] in that context.
[4] I'm not saying that AT&T didn't do -- what
[5] AT&T -- Like I said, AT&T did what AT&T did. They
[6] did what was in AT&T's best interest. Is it
[7] reasonable for them to do what's in their interest?
[8] Yeah. But did they price their leases at a
[9] competitive cost -- at what would have been
[10] reflected in a competitively driven cost plus a
[11] reasonable profit? No, they did not.
[12] Q: Okay. I'm going to just try to restate
[13] that to help me understand. Are you saying that as
[14] a general matter that you developed -- And we'll go
[15] through these in more detail. But you developed
[16] these four different scenarios which were ways that
[17] you thought somebody who was attempting to utilize
[18] a pricing system based on a certain rate of return
[19] on the cost of providing the service might have
[20] gone about it?
[21] A: That's part of it. That's a part of it.
[22] Q: Okay.
[23] A: Basically what we tried to do was, given
[24] the amount of data that we had, we tried to look at
[25] this from the point of view of what would have

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[1] happened had we -- one, how could we -- how could
[2] we find a proxy for what the competitive market
[3] might have yielded for this particular item, and
[4] this item is a lease rate. What would the -- what
[5] would a regulator have allowed? And a regulator
[6] would have allowed, you know, a fair rate of return
[7] on and off capital plus reasonable expenses.
[8] And then we said, Okay, also what if the
[9] FCC did not do a cost of service, but they
[10] implicitly allowed the agreed-upon rates are the
[11] dollar 50? If I use the rotary 1.50, do you know
[12] what I --
[13] Q: Yes.
[14] A: Would they implicitly allowed the
[15] agreed-upon rate 1.50 rate go into effect? And
[16] then let's take that as a given. Then let's say I
[17] went back, and I looked at some price indices; and
[18] I said bond rates were falling, price indices for
[19] telephone equipment was falling. What would happen
[20] if we just allowed that particular rate to grow at
[21] general inflation rate? What would that have done?
[22] So we looked at all of these things, all of
[23] these proxies for what a market outcome might have
[24] been. And then we said, Okay, the lease rate still
[25] produces damages, and even though -- and in every

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[1] case we built in a margin, a margin of error. I'll
[2] get to -- We'll get to that in a little bit, too.
[3] But in every case we allowed ourselves not just an
[4] assumed profit rate, but a high degree of margin of
[5] error.
[6] And we said, Okay, what's happening here?
[7] Is this a -- Is this what a market would have
[8] produced? Is this what the regulator would have
[9] allowed? Is this what the market would have
[10] allowed? And the answer was no. This is not the
[11] reasonable -- This is not what we would have
[12] expected to have seen under those conditions. The
[13] regulated return we see would have been a little
[14] bit higher, which is what you would expect to see
[15] in a regulated market than the two competitive
[16] proxies, but none of them are as high as what AT&T
[17] charged.
[18] And it wasn't just an assumed profit. I
[19] mean, we went and looked at what the FCC had
[20] allowed AT&T at the time of -- right before
[21] divestiture, and we went and we looked in AT&T's
[22] documents; and we see that in their repricing
[23] documents, even as you go into the mid to early
[24] '90s, they are using the 12 1/2 percent return --
[25] rate of return which they tell us is the

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[1] 17 1/2 percent before-tax return, and we used
[2] 20 percent. Rates are coming down, not going up.
[3] So that's a very generous return. So it's more
[4] than reasonable. It's more than reasonable.
[5] Q: In the sentence, the one I was referring
[6] to, that first sentence there on page 51, it makes
[7] a reference to cost of providing the equipment and
[8] service plus a reasonable profit. Let me just
[9] pursue the question about the phrase reasonable
[10] profit. What do you mean by that term?
[11] A: Well, like I said, we estimated using the
[12] 20 percent which was more than reasonable, in my
[13] opinion, because, like I said, we -- the FCC
[14] approved 12 1/2 percent, which is -- which is
[15] roughly -- Depends on the state and depends on the
[16] level of taxes at the time. But 20 percent is in
[17] excess of 12 1/2 percent rate of return, and that
[18] continued long after rates started falling.
[19] We know AT&T was using at least -- or was
[20] using a 12 1/2 percent later on. And we used 20.
[21] That was in excess of that. So we built in more
[22] profit than AT&T was using. In addition to that,
[23] we did a scenario -- If you look on the sheet, you
[24] will see one of the headings says direct, and one
[25] of them says FDC.

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[1] Q: Right.
[2] A: FDC stands for fully distributed cost, and
[3] that means we have added another 40 percent in
[4] addition to the 20 percent markup -- Let me
[5] rephrase it.
[6] Q: We can -- Actually maybe if you don't mind,
[7] let me cut you off there, because I wanted to go
[8] through those --
[9] A: Okay.
[10] Q: -- sort of one at a time; and later we'll
[11] get to them.
[12] A: Okay.
[13] Q: Here I'm just trying to explore the general
[14] notion, what you mean by reasonable profit. Maybe
[15] more pertinent question would be: Who decides
[16] what's reasonable?
[17] A: In this case, I am -- I'm assuming that if
[18] AT&T -- if the FCC approves something less than
[19] 20 percent, then surely -- and if AT&T -- I'm
[20] sorry. If the FCC approves something less than
[21] 20 percent and if AT&T itself was using something
[22] less than 20 percent, then surely if we use
[23] something -- if we use 20 percent, then 20 percent
[24] is -- is reasonable, because it has at least a
[25] margin of error built into it.

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[1] Q: Okay. Well, let me maybe ask a
[2] hypothetical. I mean, if I have --
[3] A: It is generous in that respect.
[4] Q: If --
[5] A: If you would like me to use a lower number,
[6] again, you know --
[7] Q: I'm just trying to --
[8] MR. MARKER: I would like you to -- You're
[9] not letting him finish his questions.
[10] A: I'm sorry. Sorry.
[11] Q: Well, let me ask -- Let me sort of pursue
[12] this hypothetical. If somebody develops a consumer
[13] product that is very much in demand, is able to
[14] sell that product for -- at a profit rate of a
[15] hundred percent because that's what people will pay
[16] for it, is that an unreasonable profit?
[17] A: No, not necessarily, if the market will
[18] bear that. But I think, first of all, you've got
[19] to remember that, like I said, that, one, the FCC
[20] approved a rate of return of 12 1/2 percent, and
[21] AT&T was using it. So AT&T decided that this was
[22] reasonable.
[23] And secondly, if AT&T's costs were higher
[24] than average and AT&T needed a higher rate of
[25] return, then that would have been reflected in

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[1] their own numbers, and we were using their own
[2] numbers. We used AT&T's own costs. We used their
[3] own recurring costs. We pulled it out of their own
[4] documents. We used their own 12 1/2 -- We used a
[5] number that was slightly in excess of their own
[6] number from their own documents. So like I said, I
[7] didn't go out and do my own discounted cash flow
[8] and decide that 20 percent was the right number. I
[9] pulled that from AT&T's own documents.
[10] Q: Okay. Well, presumably -- Well, let me
[11] strike that.
[12] Did you do any calculations to determine
[13] what profit AT&T was realizing on its leases of
[14] telephone equipment?
[15] A: No. Their documents tell us that they were
[16] realizing very heavy-duty profits on this lease.
[17] Q: Okay.
[18] A: And in fact, I see documents in their
[19] discovery that suggest that, you know, they were
[20] worried about the FCC coming down on them for that
[21] reason. So we know that they had high margins of
[22] profits on these -- on this service.
[23] Q: Okay.
[24] A: But I don't personally -- I did not
[25] personally do a -- We have the break-even analyses.

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[1] So we know they were -- they were realizing very
[2] high profits on it.
[3] Q: If in an example of somebody who develops a
[4] consumer product that's in great demand and is able
[5] to sell it for a hundred percent profit, why would
[6] it be unreasonable for AT&T to lease telephones for
[7] the highest rates it can get, get the greatest
[8] profit it can get?

[9] A: It's not unreasonable for anybody to charge
[10] the maximum the market will bear, if you can get
[11] away with it. In a regulated setting, however,
[12] there is a consumer interest involved, and there's
[13] a certain amount of consumer gouging that can go
[14] on. And in this case, my understanding anyway is
[15] that the consumers -- well, AT&T had other
[16] divisions of which it can subsidize these products.
[17] As long as everybody -- As long as
[18] everybody is free to choose, that's fine, as long
[19] as everybody's free to choose. But the only way
[20] you can do that without any problems is as long as
[21] everybody's free to choose and you're not
[22] segregating or separating your markets. But if
[23] you've got market power, then it does become a
[24] problem.

[25] Q: Well, let me --

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[1] A: When you've got market --

[2] MR. ARMSTRONG: Let him ask a question, and
[3] then you answer.

[4] A: I'm sorry.

[5] Q: Let's pursue that. Why is it a problem if
[6] you've got market power?

[7] A: Because with market power, then the
[8] consumers are -- you're able to segregate your
[9] markets, and consumers don't have the alternatives
[10] that you might otherwise think they have. You're
[11] able to exploit the monopoly power. You're able to
[12] exploit the market power --

[13] Q: Okay.

[14] A: -- in both cases. I mean, whether you are
[15] a competitor or monopolist, it's in your best
[16] interest to charge the maximum the market will
[17] bear.

[18] Q: Okay. How did AT&T set lease rates before
[19] 1/1/86?

[20] A: AT&T didn't; RBOCs did, R-B-O-C-S.

[21] Q: Were those lease rates regulated before
[22] 1/1/86?

[23] A: They would have been regulated at the state
[24] level.

[25] Q: Well, were those lease rates reasonable as

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[1] you use the term in this sentence?

[2] A: When we get up to 1/1/84, they may or may
[3] not have been. The way regulation works is, first
[4] of all, it works with a lag. You do a
[5] cost-of-service study. You do it every so often.
[6] By that I mean when you do a cost of service, you
[7] put rates into effect for a certain period of time.
[8] Those rates may have been good, and they may have
[9] done a cost of service in 1979. It may have been
[10] good in 1979. Whether they were good in 1983, I
[11] don't know. Whether the rate that was good in
[12] Oregon is also good for Maryland, I don't know.

[13] Also, rates at various commissions are set
[14] also with certain types of policy in mind.
[15] Remember when I told you earlier I testified on
[16] universal service issues; those are subsidy issues.
[17] Any commission can take it upon itself at any time
[18] to have any class of service essentially subsidize
[19] any other class of service if it took a mind to.
[20] They have the power to do that. So when you asked
[21] me if those rates were reasonable, without having
[22] been involved in those cases, I can't say.
[23] Q: Okay. Let's go on to the next sentence in
[24] that paragraph. It states, quote, Nor did AT&T
[25] have to consider what competitors were charging to

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[1] lease similar equipment, since there was no such
[2] direct competition, closed quote. This is still
[3] referring to setting lease rates after 1/1/86; is
[4] that right?

[5] A: Well, I'm not -- I did not do a study of
[6] the lease market or the sale market in this case.
[7] I am not testifying on the degree of competition.
[8] I did not do an analysis of the competitiveness of
[9] either of those markets.

[10] Q: Well, are you saying that you're not in a
[11] position to say whether or not AT&T had to consider
[12] what competitors were charging to lease similar
[13] equipment or not?

[14] A: I think the lease market is a separate
[15] entity from the sale market. I think that goes
[16] back to probably -- to what I said before. In my
[17] own circumstance, back in 1986 probably although
[18] people may have started becoming aware that they
[19] could purchase phones, I don't know that purchasing
[20] phones was a direct substitute for leasing phones
[21] even at that point in time. But I have not done a
[22] study of this market. I don't know -- I didn't
[23] write this sentence, and I am not prepared to speak
[24] to it at this point.

[25] Q: So at this point, you're saying you don't

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(1) have an opinion as to whether this sentence is
(2) correct or not; is that right?
(3) A: I think AT&T probably had to consider what
(4) was going on in the market in general. They would
(5) have been foolish not to look out in the market and
(6) know what was going on. But in terms of whether or
(7) not they had to consider what their competitors
(8) were charging when they set their lease rates, I
(9) see no evidence that they did that.
(10) Q: Okay. But you didn't make a study to
(11) determine whether or not they had?
(12) A: I did not make a study to determine that.
(13) Q: Do you know if anyone -- if there was
(14) anyone else leasing telephone equipment at 1/1/86?
(15) A: I am not aware. My understanding is that
(16) Cincinnati Bell, maybe some of the other RBOCs,
(17) were leasing. I don't think that was in -- I'm not
(18) sure if that was in direct competition with AT&T or
(19) not. But I'm not aware -- I certainly in my own
(20) experience not aware of anybody leasing in direct
(21) competition with AT&T.
(22) Q: But you were aware that non-AT&T entities
(23) were selling phones at that point in time; is that
(24) right?
(25) A: As I said, in the summer of '86, I became

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(1) aware that they were, because I was given a phone.
(2) Q: Okay. But is purchasing a telephone a
(3) close substitute for leasing a telephone?
(4) A: Up until that point in time, it certainly
(5) was not for me, and it obviously wasn't for a lot
(6) of people in AT&T's service territory.
(7) Q: Well, after 1/1/86 would it be fair to say
(8) that purchasing a telephone would have been a close
(9) substitute for leasing a telephone?
(10) A: Did not do a study of the market, but
(11) apparently not. I don't believe that people would
(12) have continued to pay the prices that they paid,
(13) had that been the case, but again, I didn't do a
(14) study. I'm not testifying to that.
(15) Q: Okay. Do you know how many people left --
(16) Strike that.
(17) Do you know how many people stopped leasing
(18) AT&T telephones between 1/1/84 and 1/1/86?
(19) A: No, not off the top of my head, I don't.
(20) Q: So you don't know what the erosion rate was
(21) as far as the leasing customers go?
(22) A: Not in --
(23) Q: In that time frame.
(24) A: In those particular years, no, I'm sorry, I
(25) don't.

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(1) Q: Would it be fair to assume that the people
(2) who stopped leasing phones from AT&T between 1/1/84
(3) and 1/1/86 at least for the most part must have
(4) purchased phones?
(5) A: No. I don't know where they went. I
(6) would -- I wouldn't want to say that. I'm not sure
(7) where they went.
(8) Q: Okay. Well let me -- Would it be fair to
(9) say that for the most part people who stopped
(10) leasing phones from AT&T between 1/1/84 and 1/1/86
(11) either purchased phones or leased from somebody
(12) else?
(13) A: They got a phone somewhere, I would like to
(14) believe, but I'm not sure where they went.
(15) Q: I guess that's my point. It's not
(16) reasonable to believe that most of those people
(17) just stopped having telephone service?
(18) A: That's right. They did not just stop
(19) having service, but I'm not sure how they met that
(20) need.
(21) Q: Okay.
(22) MR. MARKER: Do you want to take a break
(23) anytime soon?
(24) MR. BURKE: That would be fine. I'm always
(25) open for a break.

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(1) (Off the record.)
(2) (Exit Mr. Bonacorsi.)
(3) Dr. Cameron, did you have conversations
(4) with -- well, with any of the lawyers of the Carr
(5) Korein firm during the break?
(6) A: Yes, I did.
(7) Q: What did you talk about?
(8) A: We talked about whether I was talking too
(9) much or not.
(10) MR. MARKER: A subject on which I'm an
(11) authority.
(12) Q: Did you talk about any of your substantive
(13) testimony from before the break?
(14) A: No.
(15) Q: Let me call your attention in -- I keep
(16) wanting to call it the report, but it's not. But
(17) the interrogatory answer on -- Again, on page 51,
(18) the first paragraph, the last sentence states --
(19) the substance of the sentence says, quote, AT&T
(20) based its rate increases solely on how much it
(21) could charge consumers without significantly
(22) accelerating the erosion rate, closed quote. Did I
(23) read it correctly?
(24) A: Yes, you did.
(25) Q: Do you agree with that?

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[1] A: The documents produced in disclosure
[2] suggest that that was a motivation. As I repeat, I
[3] did not do a -- an analysis of how AT&T's pricing
[4] decisions were made. My context here is strictly
[5] in terms of AT&T's lease rates compared to the cost
[6] base prices that I developed in scenarios one, two,
[7] three, and four. And I determined that those rates
[8] that I developed were not consistent with a
[9] competitive outcome.

[10] Q: Well, with respect to just this sentence,
[11] are you saying that you don't have a basis to agree
[12] with it or disagree with it at this point?

[13] A: I did not do a study, and I do not know the
[14] entire basis upon which AT&T based its pricing
[15] decisions.

[16] Q: Okay. Well, still I'm going to keep
[17] pushing this on this sentence. You're going to
[18] have to tell me whether you can agree with this
[19] sentence, or are you not in a position to either
[20] agree or disagree with this sentence?

[21] A: I neither agree nor disagree.

[22] Q: Okay.

[23] A: Okay.

[24] Q: Well, assuming that the sentence --
[25] Assuming that this was true, assuming the sentence

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[1] maximization. I don't know.

[2] Q: If it was a profit maximization, would that
[3] be reasonable economic behavior on the part of
[4] AT&T?

[5] A: Would not --

[6] MR. MARKER: Go ahead.

[7] A: Sorry. Profit --

[8] MR. MARKER: I object to the extent that
[9] reasonable economic behavior is vague, unless
[10] you're speaking of reasonable economic behavior in
[11] the terms of which she's speaking of reasonable
[12] economic behavior for purposes of her testimony in
[13] this case. Subject to that, you can answer.
[14] Q: Can you answer? Maybe you did answer. I'm
[15] not sure whether you completed your answer. Could
[16] I have the question back.

[17] (The requested portion of the
[18] record read by the reporter.)

[19] Okay. Can you go ahead and answer.

[20] A: And let me just repeat that I did a study
[21] of what would be reasonable pricing, reasonable
[22] cost base pricing in this case. And if you were --
[23] From a competitive point of view or what a
[24] regulatory or -- proxy for what a regulatory
[25] authority might allow or what the pricing under --

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[1] actually -- actually -- Strike that.
[2] Assuming that this sentence is accurate and
[3] that AT&T did base its rate increases solely on how
[4] much it could charge consumers without
[5] significantly accelerating the erosion rate, in
[6] your opinion is there something wrong with that?

[7] A: There's something wrong with it in the
[8] sense that it is -- it yielded rates that were high
[9] relative to the reasonable cost base rates that I
[10] developed.

[11] Q: Okay. The erosion rate that's referred to
[12] in this sentence, is that a -- do you understand
[13] that to be a reference to the rate at which people
[14] would stop leasing telephones?

[15] A: I understand -- That was my understanding
[16] from its use in AT&T's own documents.

[17] Q: Wouldn't that be just sort of classic
[18] market behavior of trying to maximize profits on
[19] policing business?

[20] A: Wouldn't what be classic market behavior?

[21] Q: To base the lease rates solely on how much
[22] it could charge consumers without significantly
[23] accelerating the erosion rate.

[24] A: It might -- I can't say. I'm sorry.

[25] There's -- That may or may not be at a profit

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[1] Or if we took the implicit prices that were
[2] approved by the FCC and inflated those and brought
[3] them forward at the rate of inflation, all of those
[4] are reasonable prices that would have come out of
[5] competitive pricing, regulatory pricing or
[6] whatever. All of those are reasonable prices.
[7] This is not reasonable pricing under my
[8] standard. As to what AT&T's behavior is or should
[9] have been, I'm not testifying to that.

[10] Q: Okay. Let's mark this.

[11] (Defendants' Exhibit Cameron 3
[12] marked for identification.)

[13] Dr. Cameron, let me hand you what's been
[14] marked as Exhibit 3 to your deposition.

[15] A: All right.

[16] Q: And ask you to take a look at that, please.
[17] I guess before you start, I'll represent to you
[18] that -- Well, page 1 is obviously a cover letter
[19] from Matt Armstrong to Ketrina Bakewell, indicating
[20] that it's forwarding worksheets created and
[21] employed by Plaintiffs' experts, Pamela Cameron and
[22] Mark Kahn, in reaching their opinions. And the
[23] attachments to it are the copies of the worksheets
[24] that were received by Ketrina Bakewell, who is a
[25] lawyer at Bryan Cave.

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[1] So I -- Do you recognize these documents as
[2] the worksheets described in Matt Armstrong's
[3] letter?
[4] A: I recognize them as worksheets -- the
[5] worksheets described here, yes.
[6] Q: Okay. Well, I have added page numbers in
[7] the lower right-hand corner to all of the
[8] worksheets, for ease of reference here.
[9] A: Okay.
[10] Q: And so I -- If you take the clip off of the
[11] whole package --
[12] A: All right. Off.
[13] Q: -- and there are three different sets of
[14] worksheets. This is the way it came to us. They
[15] were in three different packages. So I want to ask
[16] some questions sort of about one and to the others
[17] if I may. Package No. 1 starts at page 1. Package
[18] No. 2 starts at page 24. Do you see that?
[19] A: Yes.
[20] Q: Okay. The notation in the upper left-hand
[21] corner of both pages 21 and 24, it seems to
[22] indicate that this is a spreadsheet that relates to
[23] traditional rotary phone.
[24] A: That's correct.
[25] Q: Okay. In the middle of the bottom of

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[1] different treatment of the way the -- If you go to
[2] the top of the column called existing ins, and it
[3] is the -- one, two -- the third column over,
[4] existing ins --
[5] Q: Right.
[6] A: -- we discussed a little earlier the way
[7] existing ins was treated.
[8] Q: Yes.
[9] A: Existing ins is treated in this particular
[10] one -- The one that begins on page 24 ERO, existing
[11] ins is treated in this one proportionate to the
[12] class EB share -- I mean, to the EB data class size
[13] as we discussed earlier. On this one over here
[14] that is not ERO, existing ins are excluded from the
[15] class, from the EB class, from the EB class for
[16] purposes of calculating damages.
[17] Q: I'm trying to decide whether it makes more
[18] sense to slide through the headings, but let me ask
[19] it this way: Just generally speaking, are you
[20] saying that the sets classified as existing ins
[21] were treated as if they were new ins in the ERO
[22] data?
[23] A: No.
[24] Q: Then, if you would, please, try it again.
[25] I thought what you were saying is that existing ins

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[1] page 1 and page 24. I guess that's a file name, a
[2] computer file name.
[3] A: Yes, sir.
[4] Q: On page 1 it's CC, underline, EBDATA,
[5] underline, share, dot, XLS?
[6] A: That's correct.
[7] Q: That indicates that's an Excel spreadsheet;
[8] is that correct?
[9] A: XLS is Excel, yes.
[10] Q: Then on page 24, the file name is similar
[11] but not the same. It's CC, underline, EBDATA,
[12] underline, share, dot, ER, underline, O, dot, XLS.
[13] A: Yes. That's correct.
[14] Q: Okay. And can you tell me what -- To use a
[15] shorthand -- If I may use this shorthand, the
[16] spreadsheet that starts on page 21, I'll call it
[17] ERO version.
[18] A: Okay.
[19] Q: Can you tell me what the difference is
[20] between the ERO version of the spreadsheet and the
[21] non-ERO version?
[22] A: Yes.
[23] Q: Okay. That's a long way to get to this
[24] question.
[25] A: The ERO version has in it a slightly

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[1] were excluded from -- I'm sorry. Just try to
[2] again, would you, please.
[3] A: The opposite. They are excluded from the
[4] one that says EB data share.
[5] Q: Okay.
[6] A: They are included in the one that says ERO.
[7] Q: Okay. When you say -- So let's go EB data.
[8] Well, that's not the right -- There is the --
[9] A: There's the CC in front of it.
[10] Q: But there's --
[11] MR. MARKER: They both say EB data share.
[12] Q: Right. That's what I'm trying to figure,
[13] what's the best. One is -- One is share ERO, and
[14] the other one is just share. Is that okay?
[15] A: That will be good.
[16] Q: Okay. Well, in the one that's just share,
[17] then you say the existing ins are not included?
[18] A: They are not included.
[19] Q: And when you say they're not included, does
[20] that mean they are treated the same way as new ins?
[21] A: That's correct.
[22] Q: And in the ERO data, the share ERO,
[23] existing ins are treated how?
[24] A: Existing ins are included in proportion to
[25] the percentage of embedded-base phones in the prior

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[1] month to the total sets in service that we
[2] discussed earlier.
[3] Q: Okay. And in the ERO data or in the ERO
[4] analysis, was that treatment -- Strike that.
[5] In the ERO analysis, were the existing ins
[6] treated the same way across all the models?
[7] A: If I understand, you're asking me were they
[8] treated the same -- because there's -- Let me ask
[9] you to please repeat the question.
[10] Q: Here's maybe -- Let me tell you why I'm
[11] asking the question. If you look at page 24, 25,
[12] and 26, okay, at the bottom, the footer on the
[13] page, all has that same file name that has the ERO
[14] in it.
[15] A: Okay.
[16] Q: But then when you get to page 27, which
[17] starts the spreadsheet for traditional touchtone;
[18] is that right? You have to answer.
[19] A: Yes, I'm sorry.
[20] Q: That one does not have the file name for
[21] ERO in it. I think all the pages 27 through 41
[22] similarly do not have the ERO file name in it.
[23] A: My understanding is that the -- the words
[24] ERO should be down here, if it is an ERO case.
[25] Otherwise, it is not an ERO case. This appears to

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[1] be the same as the non-ERO case.
[2] Q: Could you tell me the page numbers you're
[3] referring to, the two page numbers at the bottom?
[4] A: Yes. I'm sorry. I'm referring to page 27
[5] and page 4.
[6] Q: Okay.
[7] A: They both say T-R-A-D-T-T, traditional
[8] touchtone, up in the upper left. And -- But I can
[9] tell by looking at the numbers and I can tell by
[10] looking at the file name across the bottom here
[11] that these are the same case or whatever you will.
[12] Q: Okay. I guess maybe is it correct that
[13] there should be an ERO spreadsheet for each of the
[14] six model telephones?
[15] A: There should be an ERO for each of the six,
[16] yes.
[17] Q: Okay. And apparently we don't have it? We
[18] have the one ERO for the traditional rotary from --
[19] that's pages 24, 25, and 26. And then all the rest
[20] of those pages from 27 through 41 are non-ERO
[21] spreadsheets.
[22] A: Those are all non-ERO spreadsheets.
[23] Q: And if you go to page 42 -- This question
[24] actually relates to pages 42, 43, and 44, and 45,
[25] and 46. Should there be ERO versions of those

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[1] pages also?
[2] A: No, sir. I don't believe so. This --
[3] These -- This information looks like some of the
[4] stuff that was on Dr. Kahn's machine, on Dr. Kahn's
[5] computer, and I do not believe -- This would be
[6] applicable to everything. This is not unique to
[7] the ERO case.
[8] Q: Okay. Well, let's go back, if we can, to
[9] page 1.
[10] A: Let me make sure and just check to make
[11] sure they weren't mixed up in the wrong files here.
[12] Q: Okay.
[13] A: Sorry.
[14] Q: That's fine. Anyway, if you take a look at
[15] page 1 of that spreadsheet --
[16] A: Yes, sir.
[17] Q: -- that's ones for traditional rotary; is
[18] that right?
[19] A: Yes, sir.
[20] Q: And this is the non-ERO version of the
[21] data, right?
[22] A: Yes, it is.
[23] Q: Okay. I'd just like to go across the
[24] columns at the top and have you explain to me what
[25] information is in the column and how it's being

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[1] utilized in the -- in the calculations that are
[2] indicated on this spreadsheet.
[3] A: Okay. This is -- These spreadsheets
[4] represent some of the early data we started
[5] collecting. We were trying to collect information
[6] on the volumes or sets in service. This provides a
[7] foundation or the basis for the damages, if you
[8] will, and it's by set type, of course. On this
[9] particular one -- And again, I'm reading from your
[10] page 1.
[11] Q: Right. Please use those. Thank you.
[12] A: All right. It is the traditional rotary
[13] phone, and it starts off at 1984; and on the first
[14] column it says, SIS, dash, BOP. These are taken
[15] from, I guess -- These are taken from -- The
[16] information was pulled from the discovery
[17] documents. I don't know the exact name of the
[18] document, but SIS stands for sets in service. BOP
[19] stands for beginning of period. That's column one.
[20] Q: Okay.
[21] A: The next one says new ins, I-N-S. The
[22] third column is existing ins. Then the fourth
[23] column is reinstate ins, reinstate and then ins.
[24] Then it's total ins per month. So the T-O-T stands
[25] for total. Then ins per month.

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[1] Q: Okay. Can we stop there, and maybe I
[2] understand sets in service beginning of period.
[3] That's data you indicate came from a source at
[4] AT&T.
[5] A: Yes.
[6] Q: New ins, I assume that data also came from
[7] some of the data you received from AT&T?
[8] A: That's correct.
[9] Q: Okay. It doesn't show any new ins for '84,
[10] '85, or '86.
[11] A: You would be better off to ask Dr. Kahn
[12] about that. It may be because 1984 and '85 were
[13] not part of our damage period. It may be that he's
[14] not showing it here. I can't address that.
[15] Q: Okay. But new ins are removed -- Well,
[16] let's strike that. Maybe we'll get to that in a
[17] minute.
[18] Then existing ins?
[19] A: Existing ins were the --
[20] Q: That's existing customers that added new
[21] phones or changed model or something like that: is
[22] that right?
[23] A: Yes. Again, this information is defined in
[24] Mr. De Lura's transcript, and he -- you know, he --
[25] and there's also -- As I indicated earlier,

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[1] there's -- there's a discovery document that
[2] defines it precisely. Existing ins also includes a
[3] second phone.
[4] Q: Okay. And then that data also came from
[5] AT&T?
[6] A: Yes.
[7] Q: Going back to the sets in service beginning
[8] of period, is all the data that appears in that
[9] column data from AT&T, or is any of it calculated
[10] in some way?
[11] A: Some of it had to be calculated. And here
[12] for the exact details on which particular numbers,
[13] there were some interrelation that had to be done,
[14] and Dr. Kahn will have to address that, of the
[15] specifics on that.
[16] Q: Okay.
[17] A: There were a few points missing, and he
[18] filled in those blanks. But basically we just
[19] straight-lined it between them, if you will.
[20] Q: Yeah.
[21] A: We made no heroic assumptions other than to
[22] take the information they gave us for the period we
[23] did have and then the next period and then
[24] interpolate between them.
[25] Q: Yeah. I think we were up to the reinstate

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[1] ins. Again, this is data you received from AT&T?
[2] A: Yes, sir.
[3] Q: But it was basically a measure of people
[4] who had been cut off from telephone service and had
[5] then become reinstated to telephone service?
[6] MR. MARKER: I object to the question. Did
[7] you mean to say telephone service or lease service?
[8] Q: Lease service.
[9] A: Lease service, yes. This refers to lease
[10] service, yes.
[11] Q: Okay.
[12] A: It means the service was reinstated and --
[13] Yes.
[14] Q: Okay. Then the next column is total ins
[15] per month.
[16] A: Uh-huh.
[17] Q: In this particular case, it has a number
[18] 153,540; is that right?
[19] A: Yes, sir.
[20] Q: The first number there. How does that
[21] number relate to -- Well, how is that number
[22] derived? Is that a number from AT&T, or is it
[23] somehow a computation based on the other numbers?
[24] A: The first number will probably be a
[25] computation based on the other numbers, and once

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[1] again, this number will have been derived -- Let's
[2] see.
[3] Q: Well, do you know how it's derived from the
[4] other numbers? That's my confusion. I'm looking
[5] at it, and it's 153,000. And the other data in
[6] here is for ins, and it's for existing ins; and
[7] it's 76,980, and I don't know how the relationship
[8] is.
[9] A: I think it would be better if you address
[10] that particular question to Dr. Kahn. Like I said,
[11] these are the kinds of things that had to get
[12] ironed out right at the beginning while I was still
[13] in New Mexico.
[14] Q: Okay.
[15] A: And some of these decisions about -- This
[16] goes back to the sets in service data that I was
[17] telling you that had to get done right at the
[18] beginning.
[19] Q: Okay.
[20] A: And he was doing all of this.
[21] MR. MARKER: If we could go off the record
[22] for a second.
[23] MR. BURKE: Sure.
[24] (Off the record.)
[25] The column that says UTEC --

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[1] A: I don't think --
[2] Q: -- there's no data in it.
[3] A: Yeah. There's no data.
[4] Q: Then the next column says EQ out. Do you
[5] know what that stands for?
[6] A: Yes, sir. I believe that was a line item
[7] that was on the original documents that we had, but
[8] we never had the date -- we never had the data for
[9] that; and we didn't end up using it. We set up the
[10] spreadsheet so we could put it in, but we never got
[11] the data; or we never used the data -- and we never
[12] used the data.
[13] Q: Do you know what it stood for?
[14] A: No, sir. I don't remember off the top of
[15] my head.
[16] Q: Okay. The next column is SIP. It only has
[17] a couple of numbers, I think, in that whole
[18] spreadsheet. Do you know what SIP stands for as
[19] used in this column?
[20] A: As I recall, SIP stands for sales in place.
[21] I don't believe we -- Again, it would be better to
[22] talk to Dr. Kahn about that. We ended up having to
[23] get some sales-in-place data from other sources,
[24] too, so you can talk to him about that.
[25] Q: Okay. Then the next column is total out.

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[1] Do you know where -- Well, what does that signify?
[2] A: These are sets in service that have been
[3] taken out, out of service.
[4] Q: And does that data come from AT&T, or is it
[5] calculated in some way?
[6] A: That comes from AT&T.
[7] Q: The next column is BOP class, stands for
[8] beginning-of-period class phones; is that right?
[9] A: Beginning-of-period class, yes.
[10] Q: Okay. And then the next column is EOP
[11] class?
[12] A: End-of-period class.
[13] Q: Now, the beginning-of-period class for
[14] January '84 is the same as beginning-of-period sets
[15] in service; is that correct?
[16] A: Yes.
[17] Q: Then the end-of-period class for January
[18] '84 is some number smaller than the
[19] beginning-of-period class?
[20] A: We've had some outs.
[21] Q: Okay. Can you tell me what calculation
[22] takes place between beginning-of-period class, that
[23] number, and the end-of-period class number?
[24] A: We take out the outs and add in the
[25] reinstates. In this case I doubt -- there won't be

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[1] any reinstates, because it's January. And then
[2] it's also -- We use a mid-period convention,
[3] because later on, as I said, we're always going to
[4] be using -- because we use the mid -- because we
[5] wait to get the proportion of outs, we use the
[6] prior month's, the end-of-period weighting scheme,
[7] the 75/25, we use a mid-month convention.
[8] Q: So the mid-period class column is -- is it
[9] correct to say that's the number of sets your
[10] calculations would ascribe to being in the class in
[11] January of '84?
[12] A: Well, that's what Dr. Kahn used, I believe,
[13] to calculate the weighting scheme. Once again, for
[14] the exact formulas, it's not going to make much
[15] difference whether you use the beginning of the
[16] period or end of period, but I would be more
[17] comfortable if you would talk to him about that.
[18] Q: Okay. And then the last column, the
[19] mid-period class divided by the mid-period SIS, is
[20] that the number -- or the proportion that you
[21] referred to that's used to determine what
[22] percentage of the outs are new ins?
[23] A: Yes. That are part of the class, right?
[24] Let me ask you to rephrase the question, please,
[25] sir.

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[1] Q: Okay.
[2] A: Because I think the answer to that question
[3] was really no.
[4] Q: All right. Well, I'm afraid of getting
[5] myself twisted around on some of these things.
[6] Here's what I understand the basic idea of what
[7] you're doing is: At any given period, any given
[8] month, you start with a number of phones that are
[9] in a class, and during that period, that month, you
[10] have data that says here are outs, people who
[11] leave, stop leasing phones. So those -- For the
[12] most part, those people are going to be subtracted
[13] from the phones that are in the class, but to the
[14] extent those outs really are people who had already
[15] been subtracted from the class because they were
[16] new ins in a prior month, you don't want to
[17] subtract them from the class in a later month; is
[18] that right?
[19] A: To the extent they were not part of the
[20] embedded base, that's right. We do not want to
[21] subtract them, that's correct.
[22] Q: And so you're trying to determine for any
[23] given month what percentage of the outs had never
[24] become part of the embedded base to begin with?
[25] A: That were not part of the embedded base in

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[1] the first place.
[2] Q: Okay. And is that percentage that you used
[3] the percentage that appears in this column that's
[4] marked mid-period class divided by mid-period SIS?
[5] A: If I understood your question, I believe
[6] that is reflected in that column.
[7] MR. MARKER: I'll make it in the form of an
[8] objection. I'm just trying to make sure I
[9] understand your question. Michael, you're asking
[10] what part were not part of the embedded-base class
[11] as of 1/1/84 in the first place, right? They could
[12] have been part of the embedded base back before
[13] 1/1/84 that's not relevant.
[14] MR. BURKE: Yes.
[15] MR. MARKER: I just wanted that
[16] clarification. Okay.
[17] Q: (By Mr. Burke) Going back to the column
[18] that's marked existing ins, I think you told me
[19] that that's the column that is treated differently
[20] in the ERO version of the data and the non-ERO
[21] version of the data; is that right?
[22] A: That's correct.
[23] (Enter Mr. Bonacorsi.)
[24] Q: While we're here, can you explain to me how
[25] it's treated in -- well, in the data that's on

[1] A: That's correct. Only in proportion to the
[2] class size to the whole.
[3] Q: Okay. Now, if I can get you to go to
[4] page 19, and actually my general question has to do
[5] with pages 19, 20, 21, 22, and 23. So just let me
[6] start with: Can you explain these pages to me, or
[7] is this a topic that I'd be better off talking with
[8] Dr. Kahn about?
[9] A: You would be better off talking with
[10] Dr. Kahn about this. I'm much better at labeling
[11] my work papers than he is. If this were mine, we
[12] would have -- we would have sources on these pages.
[13] I can see that obviously some of these were pages
[14] that he was using to -- to develop the -- to
[15] develop these columns, but you need to talk to him
[16] about those.
[17] But conceptually it is what I said -- as we
[18] discussed, but exactly what it is without labels, I
[19] would be hesitant to say.
[20] Q: Okay. And then page -- And this will be
[21] the third packet, but it's actually pages 47, 48,
[22] 49, 50, and 51. Can you tell me what those pages
[23] are?
[24] A: Yes, sir. Using the top page, which is
[25] page 47, traditional rotary, it says monthly

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[1] page 1, on that spreadsheet, which is the non-ERO
[2] version?
[3] A: And this spreadsheet just reflects the
[4] numbers as they are. So you won't really see the
[5] number, because you don't get the class sets in
[6] service summed up on this spreadsheet. The class
[7] sets in service are on the other spreadsheets that
[8] you should have gotten. This is basically like the
[9] underlying work papers that go with the damage
[10] calculations, the ones that are named damages and
[11] damages with interest.
[12] So when you saw a number there that said
[13] sets in service, that number should reflect the
[14] fact that these existing ins and existing outs were
[15] treated differently in these two scenarios.
[16] Q: Okay. And even though I wrote this down, I
[17] want to be sure I got it right. That in the
[18] non-ERO version of the spreadsheet, the existing
[19] ins are not included within the class; is that
[20] right?
[21] A: That's correct. They're not added in.
[22] Q: But in the ERO version, they are added in
[23] but only in the proportion that's defined in the
[24] last column here, the mid-period class divided by
[25] the mid-period SIS?

[1] charge. It's identified -- The title says Blended
[2] Cost Base. This is a summary page that gives you
[3] for scenarios one, two, and three, the summation of
[4] the costs that were described in the -- they're
[5] described down here, scenarios one, two, three, and
[6] four. Those are the summation of the recurring and
[7] nonrecurring costs or the recurring capital costs
[8] that we discussed earlier.
[9] Q: Okay.
[10] A: The direct and nondirect costs from the
[11] scenarios that we estimated.
[12] Q: Okay.
[13] A: In other words, these are the costs that we
[14] estimated.
[15] Q: Well, are these -- Are these the -- Are
[16] these what you would call the reasonable lease
[17] rates, or are these costs per telephone numbers of
[18] some kind that you still have to do some
[19] calculation to come up with something you call
[20] reasonable lease rates?
[21] A: No. These would be the reasonable cost
[22] rates, the reasonable lease rates.
[23] Q: Okay. So these are just summary pages of
[24] the results of all the calculations that come up
[25] with here's what you're saying would be the